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A crisis of legitimacy

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People are fed up with politics. Do not blame globalisation for that



IT WOULD be wrong to say that economic integration neuters democracy or, more specifically, places any real constraints on the welfare state. Yet the view that globalisation is hollowing out politics seems to be almost universal among the economic and political commentariat. The fears expressed go wider than the implications of globalisation for the welfare state. Opinion polls in western democracies show disaffection with the political process. That, the columnists say, is because globalisation has made politics much less important. Fewer people are turning out to vote in elections these days. It hardly seems worth bothering, the argument runs, now that multinational companies rather than elected governments are calling the shots. True or false?

In his best-selling book on globalisation, "The Lexus and the Olive Tree", Thomas Friedman of the *New York Times* makes much of the "Golden Straitjacket". That is what he calls the policies which, according to the current orthodoxy, are necessary to establish the markets' confidence in any particular economy and its government: balanced budgets, moderate taxes, light regulation, privatisation and so forth. Once a country puts on the Golden Straitjacket, Mr Friedman says:

Two things tend to happen: your economy grows and your politics shrinks...The Golden Straitjacket narrows the political and economic choices of those in power to relatively tight parameters. That is why it is increasingly difficult these days to find any real differences between ruling and opposition parties in those countries that have put on the Golden Straitjacket. Once your country puts on the Golden Straitjacket, its political choices get reduced to Pepsi or Coke—to slight nuances of policy, slight alterations in design to account for local traditions, some loosening here or there, but never any major deviation from the core golden rules.

This argument is widely quoted and almost universally accepted. There can be no denying that the world has seen a striking convergence of economic ideology in the past decade or two. That makes Mr Friedman's argument seem plausible. But something else about it ought to arouse suspicion: advocates of globalisation and sceptics alike go along with it. Enthusiasts for

globalisation (Mr Friedman among them) by and large think that the policies of the Golden Straitjacket are the right ones, and agree that your economy will indeed grow faster if you adopt them. Many sceptics are willing to concede this second point. The Golden Straitjacket may indeed make your economy grow faster—by the flawed and inequitable measures of free-market economics, at any rate—but in their view this gain cannot outweigh the loss of political sovereignty and democratic legitimacy that the straitjacket also entails.

The policies favoured by current orthodoxy do involve restraint—that much is true, and it makes the straitjacket metaphor apt. Balancing the budget is usually more difficult than letting public spending run ahead of taxes. From the government's point of view, deregulation, privatisation and so forth are also restricting rather than liberating: they mean doing less, whereas day-to-day political pressures usually urge governments to do more. But the crucial question that Mr Friedman's analysis leaves aside is whether or not these constraints are being imposed legitimately.

To talk of the narrowing of choices and the “shrinking of politics” implies that the process is anti-democratic. It need not be so. Voters everywhere may have come to prefer balanced budgets, moderate taxes, privatisation and the rest on their merits. If they have, the shrinking of politics around the current orthodoxy does not represent any weakening of democracy. If the voters decide to choose Pepsi or Coke, you might say, their choice has narrowed to Pepsi or Coke, until they choose next time.

On the other hand, questions of legitimacy certainly do arise if voters would rather not have balanced budgets, moderation in public spending and taxes, privatisation and so on—but are getting those policies anyway. And they also arise, you might argue, even if voters accept the straitjacket policies reluctantly, and only because forces more powerful than their governments have narrowed the range of choices before the electorate even comes to decide.

What about the voters?

Critics of globalisation make both arguments. The first, which says that voters are simply ignored, is unpersuasive. It is difficult to believe that if voters really did want big budget deficits, higher taxes, more public ownership of industry and so on, political parties would not seek to get elected—and succeed in getting elected—by offering those things. The second argument, which says that voters support the policies favoured by current orthodoxy but wish they did not have to, has real weight. The straitjacket policies are supported by most voters, it seems, but not with much enthusiasm. There is a recurring sense of bowing down to forces more powerful than liberal democracy—the markets, the multinationals, the WTO and the IMF. That disenchantment is in itself a kind of democratic failure.

Where does the blame for this lie? For the most part, not with globalisation as such—not with economic integration, not with markets, not with institutions like the Fund and the WTO—but with politicians. In all kinds of ways, again and again, governments and their political opponents have used the supposed demands of globalisation to deny responsibility. If you tell people you are helpless often enough, they will start to believe you.

One of the principal themes in western politics of the past ten or 15 years has been the “modernisation” of the left. Ex-socialist and moderate left-of-centre parties alike have moved to the centre, and in some cases past it. They have renounced outright egalitarianism, no longer advocate public ownership as an end in itself, seek opportunities for “partnership” with the private sector, prefer “conservative” macroeconomic policies, and favour moderation in taxes and public spending. Tony Blair's Labour government in Britain is probably the clearest case, but it is by no means unique in Europe. And something similar happened to America's Democrats under Bill Clinton. It was Mr Clinton, New Democrat, who duly signed the legislation “ending welfare as we know it”—terminating the federal government's commitment of 61 years' standing to provide cash assistance to the poor.

Is the realignment of the left connected to the acceleration of economic integration?

This realignment of the left has coincided over the past decade or so, it is pointed out, with an acceleration of economic integration. It is tempting to see, like Mr Friedman, a connection between the two trends—especially since the modernising left itself insists that there is one. “The world has changed,” Tony Blair tells his party’s traditional supporters, “but our values have not.” In other words, if only we could, we would still like to do all the things leftist parties have traditionally done. We cannot, because the world now follows different rules. Today, governments need the co-operation of the global capital markets. Competition is fiercer than it has ever been before. We have to sound more like our conservative opponents—and the reason is globalisation.

But is it really? It seems unlikely. Globalisation may or may not be accelerating, but no particular turning point, so far as economic integration is concerned, coincides with the rather sudden repositioning of America’s Democratic Party and the virtual disappearance, at about the same time, of Europe’s classical left.

An embarrassing coincidence

Another event did coincide with these changes: the collapse of communism. However much the left in the West disavowed or even despised Soviet communism, that system had stood as a living, breathing alternative to the capitalist paradigm: a reminder that an alternative did exist. When that standard was torn down, it was a severe embarrassment. When, thanks to *glasnost*, the West found out exactly how disgusting communism in practice had been, the embarrassment deepened so much that most of the left’s political vocabulary was discredited. These world-historical events were especially badly timed for the left: they seemed to seal the success that strident, iconic, right-of-centre governments in America, under Ronald Reagan, and Britain, under Margaret Thatcher, had already achieved.

The left was humiliated by association, found its values rendered deeply suspect, and suffered a monumental crisis of confidence. Also, it went out of fashion. Subtle repositioning in America’s case, outright reinvention in Britain’s, and something in-between elsewhere in Western Europe, became a domestic political necessity. No doubt many of the reformers welcomed this opportunity to recast their parties along lines closer to their own beliefs. But for most of the party members and long-time supporters it was an extremely reluctant conversion.

How were the leaders to present—to market, as they now might say—their newly realigned parties, both to the members and to voters? Grand empty talk of a new “third way” was a telling sign of desperation. The leaders of the new left could hardly expect to retain the loyalty of traditionalists if they came out and said: “Most of what we used to assert is wrong. Now that we have been found out, we are going over to the other side. From now on we stand for a kinder, gentler, more compassionate sort of conservatism.” Instead, to appeal to centrist voters, while at the same time flattering traditionalists into believing that their ideas still prevailed, they put it another way: “The world has changed, our values have not.”

Was this nothing but a ruse? Globalisation, as already noted, has left the capacity of governments to gather taxes and pay for public spending essentially undiminished. But there are other kinds of constraint. It is often argued, for instance, that global capital markets nowadays stop governments running big budget deficits. Global capital will no longer tolerate public ownership of utilities or other monopolistic enterprises, it is said. And the need to keep companies internationally

competitive leaves governments no choice but to dismantle health and safety regulation, or to ease up on environmental rules.

In reality, the global capital market makes it easier to run big budget deficits, because there is an infinitely larger pool of funds to tap. As for public ownership, on balance global capital doesn't much care. Investors lending to publicly owned enterprises may see advantages, in fact, notably government guarantees of the debt. China has many state-owned enterprises, and seems to have no trouble attracting inward investment.

Race to the bottom?

What about the regulatory race to the bottom? There has lately been a good deal of economic deregulation, it is true, aimed at spurring competition in finance especially. And deregulation of this sort, once you start, has a habit of leading to more deregulation. In this area, governments might be forgiven for feeling sometimes that they have started something they cannot stop or any longer control. But questions such as whether banks should be allowed to sell insurance, or how exactly financial institutions should be supervised, are not deeply ideological. Important as they are, these are technical issues.

Other kinds of regulation—for example, of health and safety in the workplace, terms of employment, product and environmental standards—have far more ideological content. Has globalisation led to a race to the bottom in this kind of regulation? There is little sign of it. The clear trend in rich and poor countries alike is for ever tighter regulation of this sort. If globalisation has started a race in these areas, it is to the top, not the bottom.

Where formerly left-of-centre parties have adopted soft-conservative policies—moderation in taxes and spending, “fiscal responsibility” and the rest—the reason cannot be globalisation. The reason, in fact, is democracy. These policies, for the moment, are popular. Globalisation has been a useful subterfuge for the left—and, it should be noted, for the right as well, albeit to a smaller extent. Conservatives too can compete for support in the centre by prating on about how such and such a tax must be cut for the sake of preserving competitiveness, rather than because low taxes are good in themselves. Just as the left has found, there is advantage in claiming that a policy you propose must be adopted because there is no choice.

If you believe that the realignment of the left was a good thing, you might feel that the globalisation subterfuge is a small price to pay for moving the parties intact to the centre, where they can do more good. But there is a price, and it may be higher than anybody realised. The denial of responsibility, the pretence that policies are dictated by global markets rather than chosen by elected governments, the refusal to consider alternatives—all these are profoundly corrosive of democracy.

The ex-left has repeated countless variations on its new slogan—the world has changed, our values have not—all over the industrialised world. Often, the right has joined in. This was bound to persuade many people that conventional politics is indeed a waste of time. That, in effect, is exactly what political leaders are saying.

When anti-capitalist protesters tried to disrupt a meeting of European Union leaders recently, Tony Blair was especially scathing, calling the rioters mindless thugs. No doubt he was right about many of them, but his contempt was nonetheless ironic. The protesters say that people have been disempowered by global capitalism. They are wrong, but politicians themselves played a large part in devising that specious theory. It seemed an innocent deception at the time, but the protesters' rage, and the support they receive from large parts of the public, suggest that it was a dangerous move for democracy.

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